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EXTRAORDINARY

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PART II—Section 2

प्राधिकार से प्रकाशित

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on the 22nd November, 1965:—

BILL No. 76 OF 1965

A Bill further to amend the Companies Act, 1956.

BE it enacted by Parliament in the Sixteenth Year of the Republic of India as follows:—

1. (*1*) This Act may be called the Companies (Second Amendment) Act, 1965. Short title and commencement.

(*2*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. In section 240 of the Companies Act, 1956 (hereinafter referred to as the principal Act), in sub-section (*1A*), after the words "authorised by him in this behalf", the words "with the previous approval of that Government" shall be inserted. 1 of 1956. Amendment of section 240.

Amendment of section 370.

3. In section 370 of the principal Act, in sub-section (2),—

(*a*) in clause (*a*), in sub-clause (*iii*) and sub-clause (*iv*), the word "or" shall be inserted at the end;

(*b*) in clause (*b*), for sub-clause (*iii*), the following sub-clauses shall be substituted, namely:—

"(*iii*) by a banking company, or an insurance company, in the ordinary course of its business; or

(*iv*) by a private company, unless it is a subsidiary of a public company; or

(*v*) by a company established with the object of financing industrial enterprises.".

STATEMENT OF OBJECTS AND REASONS

The Vivian Bose Commission of Inquiry had recommended *inter alia* that inter-company loans should rank at par with inter-company investments and should be subject to the same restrictions as the latter. This recommendation was sought to be given effect to by amending section 370 of the Companies Act by section 46 of the Companies (Amendment) Act, 1965. It has, however, been noticed that the restrictions placed by this amendment would equally apply in respect of guarantees given and securities provided by certain classes of companies *viz*: financial institutions, insurance companies and private companies *simplicitor*, and would, therefore, act as a serious hindrance to their normal functioning. Since loans given by such companies have already been exempted from the scope of the restriction, it has been decided to afford similar exemption to guarantees given and securities provided by such companies.

2. Opportunity is also being taken to make a consequential amendment to sub-section (1A) of section 240 on the lines of similar amendments made to clause (a) of sub-section (1) and clause (a) of sub-section (3) of that section by the Companies (Amendment) Act, 1965.

3. The Bill seeks to achieve the above objects.

B. R. BHAGAT.

NEW DELHI;
The 12th November, 1965.

S. L. SHAKDHER,
Secretary.

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